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# --- INCENTIVES FOR INDUSTRIAL LOCATION

Canadian Industry Development  
and Incentives for Industrial Location

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AREA DEVELOPMENT AGENCY



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DEPARTMENT OF INDUSTRY  
OTTAWA, CANADA

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Canada is a big country; big in size, big in resources and big in outlook. The second largest country in the world, it extends four thousand miles from the Atlantic to the Pacific. With the most abundant supply of fresh water in the world, Canada has developed mammoth hydro electric projects which produce power at a cost second lowest in the world.

Canada is a major supplier of the world's food, particularly wheat. It has an abundance of most known minerals, the annual value of production being in excess of four billion dollars. Its forests, as well as providing unspoiled areas for recreation and wildlife, yield over three billion cubic feet of wood products annually.

Its two major railways are among the world's largest with total trackage of over 59,000 miles and the St. Lawrence Seaway and the Hudson Bay route offer ocean going vessels the convenience of inland ports.

Canada does a thriving export business and exports of manufactured goods have increased by 150% since 1960. The preferential trade agreements Canada has with a number of Commonwealth countries permits it to trade advantageously with many member nations. With rapidly increasing population and rising consumer demands, retail sales have trebled since 1946 to over \$20 billion per year.

With one of the highest standards of living in the world, an invigorating climate which offers a complete range of summer and winter recreational activities and a sound economic, social and political environment, Canada is a fine place in which to do business and to raise a family.



# THE AREA DEVELOPMENT PROGRAM

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In spite of its prosperity, there are certain areas in Canada which have marked time in terms of population, employment and economic growth. In order that these areas may also share in the nation's growth, a large number have been designated for assistance through special programs administered by the Area Development Agency of the Department of Industry.

Of major significance is the Incentives Program which provides cash grants and accelerated capital cost allowances to manufacturers and processors locating or expanding in designated areas. The incentives make it possible for industry to locate closer to the sources of raw material and to potential new markets while using the existing labour supply. Stepped up training and mobility measures help to upgrade the skills of the workers and to provide a continuing supply of skilled labour.



# WHAT ARE THE BENEFITS?

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There are three main benefits available under the Area Development Program:

1. A Development Grant in the form of cash or an equivalent tax credit of up to one-third of the capital cost of new machinery and equipment and new buildings. The Development Grant is exempt from federal income tax and does not reduce the amount of capital cost which may be used for tax purposes.
2. Accelerated Capital Cost Allowances of up to 50% per annum, straight line, on new production machinery and equipment.
3. Accelerated Capital Cost Allowances of up to 20% per annum, straight line, on new buildings and significant extensions to existing buildings.

# HOW THE PROGRAM WORKS

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## 1. DEVELOPMENT GRANT

### a. A New Facility

The amount of the grant for a new manufacturing or processing facility is based on:

33½% of the first \$250,000 cost of new machinery, equipment and buildings, plus 25% of the next \$750,000 of such costs, plus 20% of such costs thereafter.

The maximum grant for any new facility or for any expansion of an existing facility is \$5 million.

### b. An Expansion Facility

The amount of the grant for an expansion facility is based on the same rates except that the rates are applied to the cost of the expansion in excess of \$10,000 or 10% of the value of the existing facility, whichever is the greater.

### c. Payment of the grant is made in three instalments.

- (1) 60% upon the commencement of commercial production.
- (2) 20% one year later.
- (3) 20% two years later.

### d. If it is necessary for a firm to make a capital contribution to a municipality for utilities or services such as water lines or sewage disposal facilities, such payments may be considered for inclusion in the eligible assets.

## **2. ACCELERATED CAPITAL COST ALLOWANCES**

- a. Persons or firms who qualify for the development grants may be eligible for Accelerated Capital Cost Allowances on most of the assets which are eligible for the grant.**
- b. The depreciation rate allowed on most new industrial machinery and equipment is up to 50% per annum straight line instead of the normal 20% per annum on a diminishing balance.**
- c. The depreciation rate allowed on new buildings or significant extensions is up to 20% per annum straight line instead of the normal 5% or 10% per annum on a diminishing balance.**

# TYPICAL EXAMPLES

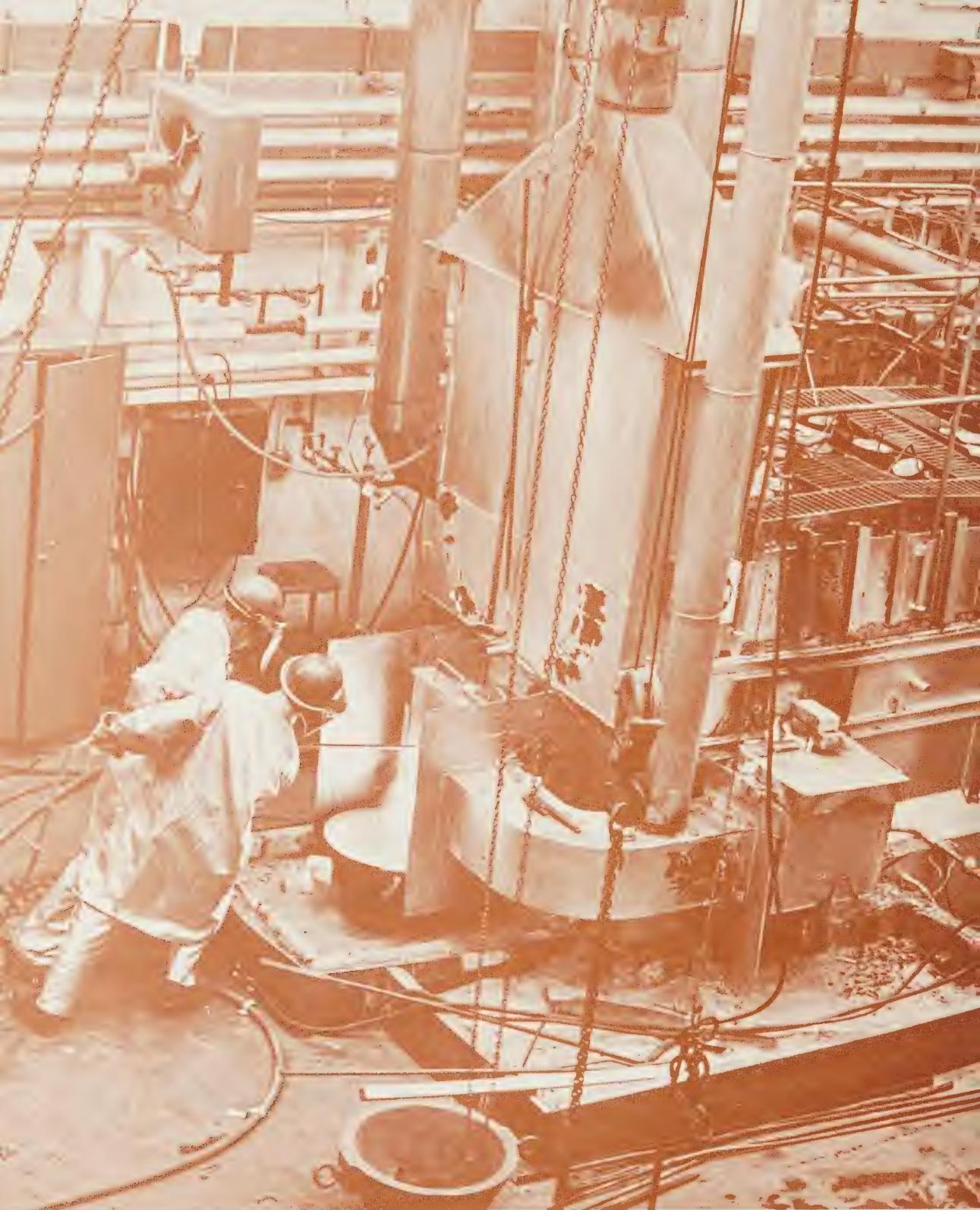
## GRANTS FOR NEW FACILITIES

	CASE 1	CASE 2	CASE 3
New Machinery and Equipment	\$100,000	\$1,000,000	Same as Case No. 2
New Building	50,000	—	"
Eligible Assets	\$150,000	\$1,000,000	"
Formula Rate	33⅓%	33⅓% & 25%	"
Basic Grant	\$ 50,000	\$ 270,833	
<b>Adjustment</b>			
Other Federal Assistance	—	\$ 30,000	"
Grant After Adjustment	\$ 50,000	\$ 240,833	\$240,833
Equity	60,000	250,000	200,000
Grant	50,000	240,833	200,000*
Payment on Start-up	30,000	144,500	120,000
Payment at End of Year 1	10,000	48,166	40,000
Payment at End of Year 2	10,000	48,166	40,000

\*May be increased to \$240,833 at end of payment period provided there has been satisfactory performance.

## GRANTS FOR EXPANSIONS TO EXISTING FACILITIES

	CASE 1	CASE 2
<b>New Machinery and Equipment</b>	<b>\$100,000</b>	<b>\$ 750,000</b>
<b>New Buildings</b>	<b>50,000</b>	<b>250,000</b>
<b>Eligible Assets</b>	<b>\$150,000</b>	<b>\$1,000,000</b>
 <b>Value of Existing Facility</b>	 <b>250,000</b>	 <b>2,500,000</b>
<b>10% of Value of Existing Facility</b>	<b>25,000</b>	<b>250,000</b>
<b>Eligible Base</b>	<b>125,000</b>	<b>750,000</b>
<b>Formula Rate</b>	<b>33⅓%</b>	<b>33⅓% &amp; 25%</b>
<b>Basic Grant</b>	<b>41,666</b>	<b>208,333</b>
 <b>Adjustment for other Federal Assistance</b>	 <b>—</b>	 <b>30,000</b>
 <b>Grant after Adjustment</b>	 <b>41,666</b>	 <b>178,333</b>
<b>Equity</b>	<b>60,000</b>	<b>250,000</b>
<b>Grant</b>	<b>41,666</b>	<b>178,333</b>
 <b>Payment on Start-up</b>	 <b>25,000</b>	 <b>107,000</b>
<b>Payment at End of Year 1</b>	<b>8,333</b>	<b>35,666</b>
<b>Payment at End of Year 2</b>	<b>8,333</b>	<b>35,666</b>



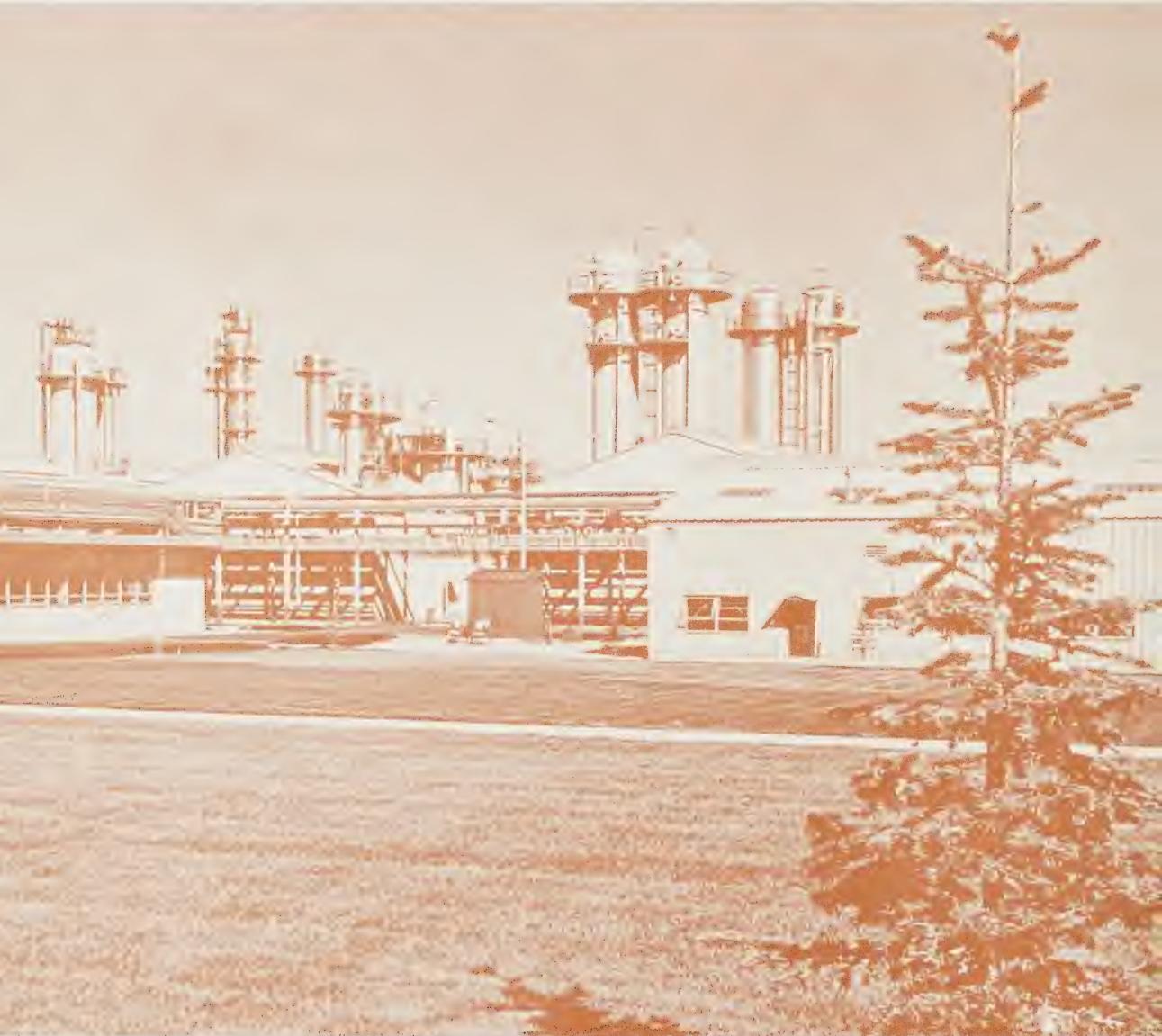
# WHO CAN QUALIFY?

## 1. FOR THE DEVELOPMENT GRANT

Any person or firm establishing a new manufacturing or processing facility or undertaking a significant expansion of an existing facility in a designated area may be eligible for a Development Grant. An important condition is that 95% of the machinery and equipment installed in the new or expanded facility must be new. An increase in employment is required to qualify for a grant on a facility being expanded.

## 2. FOR ACCELERATED CAPITAL COST ALLOWANCES

Persons or firms who qualify for the Development Grants.



# WHAT APPLICATION FORM IS REQUIRED?

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## ADA 7

This form may be filed for both the development grant and accelerated capital cost allowances on the eligible assets.

# WHERE TO APPLY?

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Application forms, copies of the Area Development Incentives Act and regulations are available from:

*Area Development Agency,  
Department of Industry,  
Place de Ville,  
112 Kent Street,  
Ottawa 4, Canada.*

Further assistance is available from the Area Development Agency's staff of experienced development officers.  
(See Area Development Agency Organization Chart for the name of your Regional Co-ordinator.)



